

**WATERWORKS DISTRICT NO. 11  
OF WARDS 4 AND 7 OF  
CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana**

**Financial Statements  
June 30, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence We have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of June 30, 2021 and

2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, We have also issued my report dated November 29, 2021 on my consideration of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Compensation, Benefits and Other Payments is the responsibility of management and is derived from the underlying accounting and other records to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
November 29, 2021

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2021**

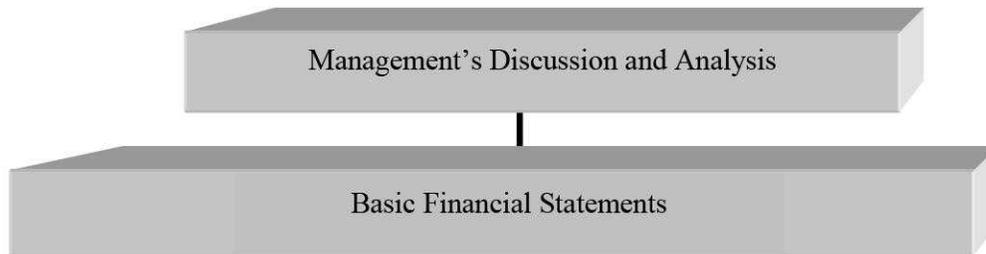
The Management’s Discussion and Analysis of the Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2021. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2021 by \$3,448,559 which represents a 6.4% increase from last fiscal year. Of this amount, \$420,761 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
  
- ★ The District’s operating revenue increased \$48,494(or 5.3%) and the net loss from operations increased by \$104,476.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2021**

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Position (pages 7 - 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is fund net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in fund net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The Statement of Net Position – Fiduciary Funds (page 12) separately presents the assets and liabilities of the fiduciary funds.

The Statement of Changes in Fiduciary Net Position – Fiduciary Funds (page 13) separately presents additions and deductions from the fiduciary funds net position.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2021	2020	2019
Current assets	\$ 1,121,309	\$ 908,143	\$ 825,500
Capital assets	3,962,813	4,096,356	4,144,459
Total assets	<u>5,084,122</u>	<u>5,004,499</u>	<u>4,969,959</u>
Deferred outflows	-	73,013	-
Total assets and deferred outflows	<u>5,084,122</u>	<u>5,077,512</u>	<u>4,969,959</u>
Other liabilities	258,419	265,205	244,541
Long-term debt outstanding	1,346,052	1,569,724	1,676,194
Total liabilities	<u>1,604,471</u>	<u>1,834,929</u>	<u>1,920,735</u>
Deferred inflows	31,092	-	-
Total liabilities and deferred inflows	<u>1,635,563</u>	<u>1,834,929</u>	<u>1,920,735</u>
Net position:			
Net investment in capital assets	2,891,813	2,828,856	2,685,459
Amounts restricted for debt service	135,985	109,642	68,306
Unrestricted amounts	420,761	304,085	295,459
Total net position	<u>\$ 3,448,559</u>	<u>\$ 3,242,583</u>	<u>\$ 3,049,224</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2021**

Restricted net position amounts represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position amounts are those that do not have any limitations for which they may be used.

The net position of the District increased by \$205,976, or 6.5%, from June 30, 2020 to June 30, 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 970,697	\$ 922,203	\$ 891,442
Operating expenses	<u>(1,188,390)</u>	<u>(1,035,420)</u>	<u>(958,817)</u>
Operating income (loss)	(217,693)	(113,217)	(67,375)
Non-operating revenues (expenses)	<u>423,669</u>	<u>306,576</u>	<u>308,954</u>
Net increase (decrease) in net position	<u>\$ 205,976</u>	<u>\$ 193,359</u>	<u>\$ 241,579</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2021, the District had \$3,962,813, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (See table below) This amount represents a net decrease (including additions and deductions) of \$133,543, or 3.3%, from last year.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land and Right of Ways	\$ 21,364	\$ 21,364	\$ 21,364
Plant and Distribution System	7,107,574	7,042,981	7,009,973
Furniture, Fixtures, and Equipment	169,092	162,122	204,056
Less Accumulated Depreciation	<u>(3,335,217)</u>	<u>(3,130,111)</u>	<u>(3,090,934)</u>
Totals	<u>\$ 3,962,813</u>	<u>\$ 4,096,356</u>	<u>\$ 4,144,459</u>

This year's significant capital addition included above was:

- Taps/Bores \$ 53,138

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2021**

**Debt**

The District had \$1,071,000 in bonds outstanding at year-end, compared to \$1,267,500 last year, a decrease of 11.3%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	2021	2020	2019
Revenue Bonds	\$ 965,000	\$ 1,135,000	\$ 1,300,000
Certificates of Indebtedness	106,000	132,500	159,000
Totals	\$ 1,071,000	\$ 1,267,500	\$ 1,459,000

The District issued \$265,000 of Excess Revenue Certificates of Indebtedness, Series 2014, during the fiscal year ending June 30, 2015. The Certificates of Indebtedness were dated October 21, 2014. These certificates were issued for the purpose of funding a portion of the costs of construction and installation of a new elevated water tank and installation of water lines within the District.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Crystal Nettles, Office Manager, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statements of Net Position  
As of June 30,**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 396,757	\$ 227,879
Restricted assets:		
Cash and cash equivalents	308,629	267,014
Investments	243,655	243,786
Receivables (net of allowances for uncollectibles of \$5,785 for 2021 and \$5,830 for 2020):		
Water sales	92,376	90,537
Unbilled water sales	39,700	54,852
Ad Valorem taxes	582	582
Prepaid expenses	39,610	23,493
Total Current Assets	1,121,309	908,143
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Plant and distribution system	7,107,574	7,042,981
Furniture, fixtures, and equipment	169,092	162,122
	7,276,666	7,205,103
Less accumulated depreciation	(3,335,217)	(3,130,111)
	3,941,449	4,074,992
Land and right of ways	21,364	21,364
Net Property, Plant, and Equipment	3,962,813	4,096,356
<b>TOTAL ASSETS</b>	5,084,122	5,004,499
<b>DEFERRED OUTFLOWS OF RESOURCES RELATED TO OPEB</b>	-	73,013
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$ 5,084,122	\$ 5,077,512

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statements of Net Position (Continued)  
As of June 30,**

	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 17,643	\$ 21,459
Accrued wages	29,802	26,726
Payroll taxes and retirement payable	1,175	12,362
Total Current Liabilities	48,620	60,547
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Accrued interest	3,419	3,843
Due within one year - revenue bonds	180,000	170,000
Due within one year - excess revenue certificates of indebtedness	26,500	26,500
Refundable customer deposits	206,380	200,815
Total Current Liabilities (Payable From Restricted Assets)	416,299	401,158
<b>LONG-TERM LIABILITIES</b>		
Due in more than one year - revenue bonds	785,000	965,000
Due in more than one year - excess revenue certificates of indebtedness	79,500	106,000
OPEB payable	275,052	302,224
Total Long-Term Liabilities	1,139,552	1,373,224
<b>TOTAL LIABILITIES</b>	1,604,471	1,834,929
<b>DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB</b>	31,092	-
<b>NET POSITION</b>		
Net investment in capital assets	2,891,813	2,828,856
Amounts restricted for debt service	135,985	109,642
Unrestricted amounts	420,761	304,085
<b>TOTAL NET POSITION</b>	3,448,559	3,242,583
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	\$ 5,084,122	\$ 5,077,512

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 924,268	\$ 875,998
Tap fees	46,429	46,205
Total Operating Revenues	<u>970,697</u>	<u>922,203</u>
<b>OPERATING EXPENSES</b>		
Salaries	442,197	406,234
Payroll taxes and employee benefits	38,569	31,713
Retirement expense	23,121	20,682
Insurance	174,109	120,606
Legal and accounting fees	15,950	15,450
Office supplies	7,629	11,352
Plant supplies	71,752	59,788
Repairs and maintenance	105,421	67,530
Truck expense	4,218	7,570
Utilities and telephone	51,945	44,230
Depreciation	205,106	197,318
Bank charges	5,880	6,140
Dues and fees	5,616	4,687
Commissioners per diem	5,000	5,200
Bad debt expense	-	100
Miscellaneous	31,877	36,820
Total Operating Expenses	<u>1,188,390</u>	<u>1,035,420</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(217,693)</u>	<u>(113,217)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes	333,762	315,671
Interest income	761	6,354
Interest expense	(48,667)	(54,155)
State and Police Jury grant revenues	14,310	29,000
Gain (loss) on disposal of assets	-	8,743
Hurricane costs reimbursement - FEMA	121,199	-
Miscellaneous income (expense)	2,304	963
Total Non-Operating Revenues (Expenses)	<u>423,669</u>	<u>306,576</u>
<b>CHANGE IN NET POSITION</b>	205,976	193,359
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>3,242,583</u>	<u>3,049,224</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,448,559</u>	<u>\$ 3,242,583</u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statements of Cash Flows  
For the Years Ended June 30,**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 984,010	\$ 915,870
Payments to suppliers and other	(461,559)	(402,056)
Payments to employees	(467,695)	(404,475)
Net Cash Provided (Used) for Operating Activities	54,756	109,339
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale (purchase) of investments	131	(1,970)
Interest earned	761	6,354
Net Cash Provided (Used) for Investing Activities	892	4,384
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital expenditures	(71,563)	(149,375)
Cash received from sale of fixed assets	-	8,903
Principal payments on bonds	(196,500)	(191,500)
Interest expense	(48,667)	(54,155)
Cash received for ad valorem taxes	333,762	315,671
State and Police Jury grant receipts	14,310	29,000
Receipts from FEMA	121,199	-
Miscellaneous	2,304	1,016
Net Cash Provided (Used) for Capital and Related Financing Activities	154,845	(40,440)
Net Increase (Decrease) in Cash and Cash Equivalents	210,493	73,283
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	494,893	421,610
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 705,386	\$ 494,893
<b>Cash and Cash Equivalents:</b>		
Unrestricted	\$ 396,757	\$ 227,879
Restricted	308,629	267,014
	\$ 705,386	\$ 494,893

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statements of Cash Flows (Continued)  
For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	\$ (217,693)	\$ (113,217)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	205,106	197,318
Provisions for bad debts	(45)	100
(Increase) decrease in accounts receivable	13,358	(6,433)
(Increase) decrease in prepaid expense	(16,117)	(1,110)
(Increase) decrease in deferred outflows OPEB	73,013	(73,013)
Increase (decrease) in accounts payable and other accrued expenses	(12,351)	14,074
Increase (decrease) in restricted refundable customer deposits	5,565	6,590
Increase (decrease) in accrued OPEB payable	(27,172)	85,030
Increase (decrease) in deferred inflows OPEB	31,092	-
Total Adjustments	<u>272,449</u>	<u>222,556</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 54,756</u>	<u>\$ 109,339</u>
 <b>Supplemental Disclosure:</b>		
Cash paid for interest	<u>\$ 49,091</u>	<u>\$ 54,631</u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statements of Net Position - Fiduciary Funds  
As of June 30, 2021**

**ASSETS**

Investments	<u>\$ 326,466</u>
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**LIABILITIES**

Deferred compensation benefits	<u>\$ 326,466</u>
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**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2021**

**ADDITIONS**

Employee and employer contributions	\$ 45,045
Net appreciation in fair value of investments	91,058
Dividend earnings	-
Total additions	<u>136,104</u>

**DEDUCTIONS**

Withdrawals	55,137
Fund transfers	-
Fees	-
Net depreciation in fair value of investments	-
Total deductions	<u>55,137</u>

Change in net position 80,967

Net position held in agency funds :

Beginning of year	<u>245,499</u>
End of year	<u><u>\$ 326,466</u></u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2021 and 2020**

*Note 1 - Summary of Significant Accounting Policies*

Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

A. Financial Reporting Entity

As more fully described in paragraph one above, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of: (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the police jury to impose its will on that organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2021 and 2020**

*Note 1 - Summary of Significant Accounting Policies (Continued)*

Because the police jury appoints a voting majority of the District's board members, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

**B. Fund Accounting**

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District also has a fiduciary fund related to its 457 plan as further discussed in notes 9 and 10.

**C. Basis of Accounting**

The District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”.

The District uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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*Note 1 - Summary of Significant Accounting Policies (Continued)*

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the statement of net position.

D. Fixed Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Property, plant, and equipment are stated at historical cost. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of all exhaustible property, plant and equipment is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Plant and distribution system	10 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 40 Years	Straight Line

Depreciation expense amounted to \$205,106 for the year ended June 30, 2021, and \$197,318 for the year ended June 30, 2020.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

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***Note 1 - Summary of Significant Accounting Policies (Continued)***

G. Prior Year Balances

Certain prior year amounts may have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported total net assets.

H. Cash and Cash Equivalents

The District considers all short-term investments with an original maturity of three months or less to be cash equivalents.

I. Budgets and Budgetary Accounting

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, nonoperating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements..

***Note 2 - Ad Valorem Taxes***

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the year ended December 31, 2020, taxes of 5.51 mills were levied on property with net assessed valuations of approximately \$63,899,721. Total taxes levied, net of pension funds, were \$341,016. The 5.51 mills were dedicated to the maintenance fund.

***Note 3 - Changes in Long-Term Debt***

The following is a summary of long-term debt payable transactions of the District for the year ended June 30, 2021 and 2020:

	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2020	\$ 1,135,000	\$ 132,500	\$ 1,267,500
Debt Retired	<u>(170,000)</u>	<u>(26,500)</u>	<u>(196,500)</u>
Outstanding at June 30, 2021	<u>\$ 965,000</u>	<u>\$ 106,000</u>	<u>\$ 1,071,000</u>
	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2019	\$ 1,300,000	\$ 159,000	\$ 1,459,000
Debt Retired	<u>(165,000)</u>	<u>(26,500)</u>	<u>(191,500)</u>
Outstanding at June 30, 2020	<u>\$ 1,135,000</u>	<u>\$ 132,500</u>	<u>\$ 1,267,500</u>

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***Note 3 - Changes in Long-Term Debt (Continued)***

Long-term debt at June 30, 2021 and 2020 consisted of the following:

<u>Revenue Bonds:</u>	<u>2021</u>	<u>2020</u>
\$2,365,000 Water Revenue Refunding Bonds, 2012 Series, dated April 19, 2012; due in annual installments of \$34,248 to \$219,663 through June 1, 2026, interest at 1.25% to 4.25%	\$ 965,000	\$ 1,135,000
 <u>Certificates of Indebtedness:</u>		
\$265,000 Excess Revenue Certificates of Indebtedness, Series 2014, dated October 21, 2014; due in annual installments of \$26,872 to \$30,223 through October 1, 2024, interest at 2.81%	\$ 106,000	\$ 132,500

The annual requirements to amortize all debt outstanding as of June 30, 2021, are as follows:

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 180,000	\$ 39,663	\$ 219,663
2023	185,000	33,363	218,363
2024	190,000	25,500	215,500
2025	200,000	17,425	217,425
2026	210,000	8,925	218,925
Total	<u>\$ 965,000</u>	<u>\$ 124,876</u>	<u>\$ 1,089,876</u>
<u>Certificates of Indebtedness</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 26,500	\$ 2,606	\$ 29,106
2023	26,500	1,861	28,361
2024	26,500	1,117	27,617
2025	26,500	372	26,872
Total	<u>\$ 106,000</u>	<u>\$ 5,956</u>	<u>\$ 111,956</u>

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***Note 3 - Changes in Long-Term Debt (Continued)***

The annual requirements to amortize all debt outstanding as of June 30, 2020, are as follows:

<u>Revenue Bonds</u> Year Ending June 30,	Principal	Interest	Total
2021	\$ 170,000	\$ 45,400	\$ 215,400
2022	180,000	39,663	219,663
2023	185,000	33,363	218,363
2024	190,000	25,500	215,500
2025	200,000	17,425	217,425
2026	<u>210,000</u>	<u>8,925</u>	<u>218,925</u>
Total	<u>\$ 1,135,000</u>	<u>\$ 170,276</u>	<u>\$ 1,305,276</u>

<u>Certificates of Indebtedness</u> Year Ending June 30,	Principal	Interest	Total
2021	\$ 26,500	\$ 3,351	\$ 29,851
2022	26,500	2,606	29,106
2023	26,500	1,861	28,361
2024	26,500	1,117	27,617
2025	<u>26,500</u>	<u>372</u>	<u>26,872</u>
Total	<u>\$ 132,500</u>	<u>\$ 9,307</u>	<u>\$ 141,807</u>

The revenue bonds and certificates of indebtedness are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana. In event of default, the District agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the District under these agreements.

***Note 4 - Compliance with Bond Covenants***

The revenue bond agreement contains various requirements relating to reserves, financial ratios, operating results, etc. The District met all requirements for the years ending June 30, 2021 and 2020.

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**Note 5 - Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits. The following is a schedule of restricted assets as of June 30,:

	2021	2020
Bond Redemption Fund	\$ 1,104	\$ 1,095
Sinking Fund	24,244	23,810
Reserve Fund	219,663	220,228
Construction Fund	100,893	64,852
Customer Deposits	<u>206,380</u>	<u>200,815</u>
	\$ <u>552,284</u>	\$ <u>510,800</u>

**Note 6 - Cash, Cash Equivalents, and Investments**

At June 30, 2021 and 2020, the District had cash and cash equivalents (book balances) totaling \$705,386 and \$494,893, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the District's name.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned.

At June 30, 2021, the District had \$654,437 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$270,374 of pledged securities held in a custodial bank in the District's name.

At June 30, 2020, the District had \$522,081 in deposits (collected bank balances). These deposits are secured from risk by \$473,134 of federal deposit insurance and \$160,077 of pledged securities held in a custodial bank in the District's name.

The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk on those amounts.

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*Note 6 - Cash, Cash Equivalents, and Investments (Continued)*

Under Louisiana Revised Statutes 33:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, highly rated investment grade commercial paper, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$243,655 as of June 30, 2021 and \$243,786 as of June 30, 2020.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAA by Standard & Poor's. The District does not have credit risk policies for investments.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

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***Note 6 - Cash, Cash Equivalents, and Investments (Continued)***

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 53 days as of June 30, 2021. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

***Note 7 - Capital Assets***

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Capital Assets Being Depreciated:				
Plant and Distribution System	7,042,981	64,593	-0-	7,107,574
Furniture, Fixtures, & Equipment	162,122	6,970	-0-	169,092
Total Capital Assets being Depreciated	7,205,103	71,563	-0-	7,276,666
Less Accumulated Depreciation	3,130,111	205,106	-0-	3,335,217
Total Capital Assets Being Depreciated, Net of Depreciation	4,074,992	(133,543)	-0-	3,941,449
Total Capital Assets, Net	\$ 4,096,356	\$ (133,543)	\$ -0-	\$ 3,962,813

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**Note 7 - Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Capital Assets Being Depreciated:				
Plant and Distribution System	7,009,973	82,961	49,953	7,042,981
Furniture, Fixtures, & Equipment	<u>204,056</u>	<u>66,414</u>	<u>108,348</u>	<u>162,122</u>
Total Capital Assets being Depreciated	7,214,029	149,375	158,301	7,205,103
Less Accumulated Depreciation	<u>3,090,934</u>	<u>197,318</u>	<u>158,141</u>	<u>3,130,111</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,123,095</u>	<u>(47,943)</u>	<u>160</u>	<u>4,074,992</u>
Total Capital Assets, Net	\$ <u>4,144,459</u>	\$ <u>(47,943)</u>	\$ <u>160</u>	\$ <u>4,096,356</u>

**Note 8 - Board of Commissioners' Fees**

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings during the current year are as follows:

	<u>2021</u>	<u>2020</u>
Ronnie Bowers	\$ 1,100	\$ 1,100
Robert Barrentine	1,100	900
David Nezat	900	1,100
Don Fruge	900	1,000
Mike Guidry	<u>1,000</u>	<u>1,100</u>
Total	<u>\$ 5,000</u>	<u>\$ 5,200</u>

**Note 9 - Fiduciary Activities**

Investments reported at fair value on the District's Statement of Net Position – Fiduciary Funds consist of investments held by the District's 457 plan, described in Note 10, on behalf of its employees. The investments are not included on the District's basic financial statements and instead are shown on its fiduciary statements. The investments consist entirely of mutual funds which are traded on active markets and are considered level 1 investments. The three levels of fair market hierarchy are as follows:

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***Note 9 - Fiduciary Activities (Continued)***

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Agency has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available.

The fair value of investments as of June 30, 2021:

Asset Allocation /Balanced /Bond Funds	\$326,466
Total Investments	\$326,466

***Note 10 - Defined Contribution Plan***

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The employee contributions and employer matching are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. The District has no obligation other than that of paying the current year's liability. All District employees are permitted to contribute a portion of their salary to the plan. The District makes a matching contribution to the plan up to 6% of the employee's compensation. This plan is administered by MassMutual Financial Group.

During the year ending June 30, 2021, contributions by the District amounted to \$23,121, covering all of the District's payroll of \$442,197.

During the year ending June 30, 2020, contributions by the District amounted to \$20,682, covering all of the District's payroll of \$406,234.

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***Note 11 - Risk Management***

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which the District carries commercial insurance.

***Note 12 – Other Postemployment Benefits (OPEB)***

In 2018, the Calcasieu Parish Police Jury (Parish) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the Parish consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future – upon retirement – and whose costs will be borne by the Parish in the future. The Statement also attempts to quantify the future “retirement” costs that have been earned by the employee during his/her active years of employment. The Parish will finance the postemployment benefits on a “pay-as-you-go” basis. GASB Statement 75 requires that the liability be recognized in the financial statements for the actuarial determined portion of the projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service. The notes to the financial statements contain other required disclosure information from GASB Statement 75.

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 as of January 1, 2020 with a measurement date of December 31, 2020. For the Parish plan, the actuarial valuation is required every other year therefore the actuarial valuation prepared will be utilized for the two-year periods of 2020 and 2021 with the inclusion of the appropriate second year adjustments. The 2020 valuation included a change in assumption for a decrease in the discount rate (described in the table below).

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

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***Note 12 – Other Postemployment Benefits (OPEB) (Continued)***

Plan Description: The Parish OPEB Plan is a single employer defined benefit “substantive” plan as understood by the employer and its employees. As a component unit, the District may at their option participate in the employee’s group health, dental and life insurance programs sponsored and administered by the Parish in conjunction with its third party insurance providers and administrative agents.

While there is no specific written plan for the Parish OPEB plan alone and therefore no separate annual report is issued, the Parish has reported this plan information based on communications to plan members via the written health plan maintained by the Parish. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided: The Parish OPEB Plan provides health (medical and prescription), dental and life insurance programs for retirees and their dependents. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a self-insured basis. Benefits are subsidized by the Parish. Dental and life insurance coverage are available to retirees, but these coverages are not subsidized by the Parish. The Parish does not reimburse for Medicare Part B or Part D premium for Medicare eligible retirees and dependents.

Employees Covered: Employees who have twenty (20) years of cumulative service at retirement will be eligible for the above referenced retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. Retirees are required to contribute one hundred percent (100%) of the monthly retiree premium for benefits elected.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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***Note 12 – Other Postemployment Benefits (OPEB) (Continued)***

The total OPEB liability for the January 1, 2020 actuarial valuation, with a measurement date of December 31, 2020, was determined using the following actuarial assumptions and other inputs, unless otherwise specified:

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	2.02% using an average of following three 20-year bond indices and rounded to the nearest 0.1%: (a) Bond Byer 20 Bond GO – 2.12%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 1.93%, and (c) Fidelity GA AA 20 Years – 2.00%. The discount rate of 2.02% was decreased from 2.9% utilized in 2019.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .25% per year to an ultimate rate of 4.5% in 2032 and later. The healthcare rate of 8% increased from 7% in 2019
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

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***Note 12 – Other Postemployment Benefits (OPEB) (Continued)***

Changes in the Total OPEB Liability: The following table shows the components of the Parish's total OPEB liability for the current year:

	Governmental Activities	Total Primary Government	Parish Plan Component Units	Total OPEB Plan
Total OPEB Liability at Beginning of Year	\$32,614,636	\$32,614,636	\$19,065,335	\$51,679,971
Current Period				
Service Cost	342,216	342,216	201,711	543,927
Interest on Total OPEB Liability	644,951	644,951	380,792	1,025,743
Differences Between Expected and Changes in Benefit Payments	8,443,226	8,443,226	(2,153,281)	6,289,945
Net Change in Total OPEB	<u>(1,372,615)</u>	<u>(1,372,615)</u>	<u>(428,586)</u>	<u>(1,801,201)</u>
<b>Total OPEB Obligation at End of Year –</b>	<u>\$40,672,414</u>	<u>\$40,672,414</u>	<u>\$17,065,971</u>	<u>\$57,738,385</u>
** Changes in assumptions reflect a decrease of .88% in the discount rate from 2.9% for 2019 to 2.02% for 2020.				

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.02%) or one percentage point higher (3.02%) than the current discount rate of 2.02%:

	1% Decrease (1.02%)	Discount Rate (2.02%)	1% Increase (3.02%)
Total OPEB Liability Parish	\$73,403,376	\$57,738,385	\$46,817,422
Total OPEB Liability District	\$349,676	\$275,052	\$223,026

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***Note 12 – Other Postemployment Benefits (OPEB) (Continued)***

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish's and District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6%) or one percentage point higher (8%) than the current healthcare cost trend rate of 7%:

	1% Decrease (6%)	Healthcare Cost Trend Rate (7%)	1% Increase (8%)
Total OPEB Liability Parish	\$47,015,628	\$57,738,385	\$73,895,516
Total OPEB Liability District	\$223,972	\$275,052	\$352,020

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2021, the District recognized OPEB expense of \$76,933.

Changes in the Total OPEB Liability: The following table shows the components of the District's total OPEB liability for the current year:

Net OPEB Obligation at June 30, 2020	\$ 302,224
Current Period Changes:	
Service Cost	3,272
Interest on Total OPEB Liability	6,090
Changes in Assumptions	(35,018)
Benefit Payments	(1,516)
Net Change in Total OPEB Liability	(27,172)
Net OPEB Obligation at June 30, 2021	<u>\$ 275,052</u>
District's Proportionate Percentage of Total Parish OPEB Obligation	0.48%
Change in Total Parish OPEB Obligation Since the Prior Measurement Date	0.01%

Deferred inflows of \$31,092 as of June 30, 2020 were the result of changes in assumptions. Amortization due to changes in assumptions is \$3,109 per year over 10 years.

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June 30, 2021 and 2020**

*Note 13 - Contingencies*

In August and October 2020, Hurricanes Laura and Delta inflicted damage to the District's facilities. Repairs of this damage had not begun at June 30, 2021. The subsequent restorative efforts of the damages will be considered repairs and expensed as incurred. These costs are expected to be partially reimbursed by their commercial property insurance.

The cost to completely restore the District's facilities could range from \$100,000 to \$150,000, but the full extent of these costs has not yet been determined.

The District has filed an insurance claim and has received approval of insurance reimbursements of \$73,780 as of June 30, 2021.

*Note 14 - Subsequent Events*

The District evaluated its June 30, 2021 financial statements for subsequent events through the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

# STEVEN M. DEROUEN & ASSOCIATES

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Waterworks District 11 of Wards 4 and 7  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's basic financial statements, and have issued our report thereon dated November 29, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, we considered Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

Board of Commissioners  
Waterworks District 11 of Wards 4 and 7  
of Calcasieu Parish, Louisiana

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2021-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2021-01 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Response to Findings**

The District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
November 29, 2021

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

**A. Summary of Independent Auditor's Results:**

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2021-01; material weakness in internal control – refer to B. 2021-02.
3. No instances of non-compliance noted.

**B. GAGAS Findings:**

**2021-01 Segregation of Duties –**

Condition: A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records could go undetected.

Recommendation: To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. Commissioners have implemented supervision and review procedures to the extent possible. This a repeat finding.

**2021-02 Financial Statement Reporting –**

Condition: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported.

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2021**

**C. Summary of Prior Year Findings:**

**2020-01 Segregation of Duties** - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

**2020-02 Financial Statement Reporting** – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana**

**Schedule of Compensation, Benefits and Other  
Payments to the President of the Board of Commissioners**

**Year Ended June 30, 2021**

**Agency Head: Ronnie Bowers, Board President**

<b>Purpose</b>	<b>Amount</b>
Commissioner Fees	\$1,100
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

**Note: This schedule is included as supplementary information.**

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Other Postemployment Benefits -  
Schedule of Changes in Total OPEB Liability and Related Ratios  
For The Year Ended June 30, 2021**

	2019	2020	2021	2022	2023
Total OPEB Liability					
Service Cost	\$ 4,214	\$ 4,946	\$ 3,272		
Interest on Total OPEB Liability	\$ 8,029	\$ 8,397	\$ 6,090		
Changes in benefit terms	\$ -	\$ -	\$ -		
Differences between expected and actual	\$ -	\$ -	\$ -		
Changes in assumptions or other inputs	\$ -	\$ 73,013	\$ (35,018)		
Benefit payments	\$ (1,830)	\$ (1,326)	\$ (1,516)		
Net Change in Total OPEB Liability	<u>\$ 10,413</u>	<u>\$ 85,030</u>	<u>\$ (27,172)</u>		
Total OPEB Liability - Beginning	<u>\$ 206,781</u>	<u>\$ 217,194</u>	<u>\$ 302,224</u>		
Total OPEB Liability - Ending	<u>\$ 217,194</u>	<u>\$ 302,224</u>	<u>\$ 275,052</u>		
Covered Employee Payroll	\$ 287,849	\$ 330,323	\$ 330,323		
Total OPEB liability as a percentage of covered employee payroll	75.45%	91.49%	83.27%		

Notes to Schedule:

Changes in Benefit Terms

None

Changes in Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2019	3.90%
2020	2.90%
2021	2.02%

This schedule is intended to report information for 10 years. Data for the full ten year period is not available but will be reported as the additional years become available.